

TOWNSHIP BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

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November 2006

ITEMS TO REMEMBER

DECEMBER

- December 1: On or before June 1 and December 1 of each year (or more frequently if the County Legislative Body adopts an ordinance requiring additional certifications) the Township shall certify a list of the names and addresses of each person who has money due from the Township to the County Treasurer. [IC 6-1.1-22-14]
- December 25: Legal Holiday - Christmas Day. [IC 1-1-9-1]
- December 31: All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1(e)]

JANUARY

- January 1: Legal Holiday - New Year's Day. [IC 1-1-9-1]
- January 1: "When his term of office expires, the executive shall: immediately deliver to the new executive custody of all funds and property of the township, except records necessary in the preparation of his annual report". . . (IC 36-6-4-14)
- January 1: Set up the Financial and Appropriation Record for the year 2007, by bringing forward the fund (cash) balances at the close of the year 2006 and entering appropriations as finally adopted and approved.
- January 2: Annual meeting of township board to organize by electing one member as chairman and one member as secretary for the year. (First Tuesday after first Monday in January.) [IC 36-6-6-7]
- January 8: Last day for outgoing trustee to deliver to the new trustee the annual report and any related records that were retained for preparation of the annual report. (IC 36-6-4-14).
- January 2-31: Members of the township board are to meet to organize as a township board of finance by electing one member as president and one member as secretary, each for a period of one year. During the annual meeting the investment officer shall make a written report to the investing officer's local board of finance summarizing the township's investments during the previous calendar year. The report must contain the name of each financial institution, government agency or instrumentality, or other person with whom the township invested money during the previous calendar year. The local board of finance shall do the following at the meeting:

(1) Review the report.

(2) Review the overall investment policy of the political subdivision. (After the first Monday and on or before the last day of January.) [IC 5-13-7-6, IC 5-13-7-7]

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ITEMS TO REMEMBER
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January	15:	Assessment date for mobile homes defined in IC 6-1.1-7-1. [IC 6-1.1-1-2]
January	15:	Last day to make pension report and payment for fourth calendar quarter by townships participating in PERF.
January	15:	Legal Holiday - Martin Luther King, Jr.'s Birthday. [IC 1-1-9-2]
January	16:	Last day for the annual meeting of the township board for the purpose of receiving, auditing and approving the Annual Report, Township Form 15 for 2006 (On or before the third Tuesday after the first Monday in January.) [IC 36-6-6-9]
January	26:	Last day for trustee to file the copy of the Annual Report, Township Form 15, as approved by the township board, together with the 2006 vouchers, in the office of the county auditor (ten (10) days after the meeting of the township board on January 16). [IC 36-6-4-12]
January	30:	Last day to file 2006 Annual Report, Township Form 15, with the State Board of Accounts. Use the forms sent to you or which you picked up at the State Board of Accounts meeting in Indianapolis, November 15, 2006.
January	31:	All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1(e)]
January	31:	Last day to provide each employee with a W-2.
January	31:	Last day to file quarterly 941 report for last quarter of 2006 with Internal Revenue Service.
January	31:	Last day to file Form 100R, Certified Report of Names and Compensation of all Officers and Employees, with the State Board of Accounts. Be sure to indicate the name and business address of the township and the name of the county on page one of the form. A supply of forms for the report can be procured from your supplier of township forms. The form should be mailed to the State Board of Accounts, 302 West Washington Street, Room E418, Indianapolis, IN 46204. [IC 5-11-13-1]
January	31:	Last day to make report for last quarter of 2006 to the Department of Workforce Development.

FEBRUARY

February	12:	Legal Holiday – Lincoln's Birthday. [IC 1-1-9-1]
February	12:	Last day for publication of Annual Report, Township Form 15, for 2006 in summary form. (Within four weeks after the third Tuesday after the first Monday in January.) [IC 36-6-4-13]
February	19:	Legal Holiday – Washington's Birthday. [IC 1-1-9-1]

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ITEMS TO REMEMBER
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| February | 28: | All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1(e)] |
| February | 28: | Last day to file withholding statement together with Yearly Reconciliation of Employer's Quarterly Tax Returns with Social Security Administration and Indiana Department of Revenue, respectively. |

QUALIFYING FOR OFFICE - OATH

IC 5-4-1-1 states in part (a) ". . . every officer and every deputy, before entering on the officer's or deputy's official duties, shall take an oath to support the Constitution of the United States and the Constitution of the State of Indiana, and that the officer or deputy will faithfully discharge the duties of such office."

QUALIFYING FOR OFFICE – OFFICIAL BONDS

OBTAIN BOND FIRST

IC 5-4-1-9 states, "An officer required to give an official bond shall give the bond before the commencement of his term of office. If the officer fails to give the bond before that time, the officer may not take office."

COUNTY AUDITOR APPROVAL

IC 5-4-1-8 states in part "The official bonds of officers, . . . shall be approved as follows . . . township trustee, and township assessor, by the county auditor."

PAYABLE TO STATE

IC 5-4-1-10 states "All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

AMOUNT OF BOND

IC 5-4-1-18 states in part (c) "The fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows: (1) The amount must equal fifteen thousand dollars (\$15,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2). (2) The amount may not be less than fifteen thousand dollars (\$15,000) nor more than three hundred thousand dollars (\$300,000)."

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FILE BOND

IC 5-4-1-5.1 states in part (b) "Every elected or appointed officer, official, deputy, or employee of a political subdivision who is required by section 18 of this chapter to file an official bond for the faithful performance of duty . . . shall file the bond in the office of the county recorder in the county of residence of the officer, official, deputy or employee."

COST OF BOND

The cost on the trustee's bond is payable from the township fund. [IC 5-4-5-2]

OTHER BOND SITUATIONS

We have noted situations where various employees (other than bonded trustees and deputy trustees) are involved in handling cash and cash related transactions (i.e., township community centers, parks, etc.) without the township being afforded bond coverage.

We strongly recommend and encourage township officials to immediately obtain bond coverage for all employees that might be handling cash and related transactions. Township officials should also give consideration to providing crime insurance coverage.

Whenever deemed necessary by the trustee and township board to bond any employees not required by a specific statute to be bonded otherwise, such employees may be bonded by either individual or blanket bonds conditioned upon faithful performance of duties and in amounts and with surety approved by the township board by adopting a resolution in accordance with IC 36-1-3-1 et seq.

The official bonds of trustees must be written for the term of office. Continuation certificates are not acceptable and a new bond should be issued for each term of office.

No charge shall be made by the recorder of the county for recording the official bonds of any public officer, deputy, appointee or employee. [IC 36-2-7-10]

When a minimum premium is required for official bonds, townships should make certain maximum coverage is provided for the required minimum premium.

DESIGNATION OF TRUSTEE

We have received inquiries concerning designating an acting Trustee under certain circumstances.

The State Board of Accounts is of the audit position that IC 36-6-4-18 provides "(a) Within thirty (30) days after taking office, the executive shall designate a person who shall perform the executive's duties whenever the executive is incapable of performing the executive's functions because the executive: (1) is absent from the township; or (2) becomes incapacitated. The executive shall give notice of the designation to the chairman of the township legislative body, the county sheriff, and any other persons that the executive chooses. The designee shall have all the powers of the executive. The executive is responsible for all acts of the designee. The executive may change the designee under this section at any time."

"(b) The designee shall perform the executive's duties until: (1) the executive is no longer absent from the township; or (2) an acting executive is appointed by the county executive under section 16 of this chapter."

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DESIGNATION OF TRUSTEE
(Continued)

We have not received any Official Opinions of the Attorney General of the State of Indiana which would indicate that a trustee could appoint a current township board member to serve as acting trustee in a township. Potential constitutional conflicts could exist concerning the holding of two (2) lucrative offices. However, Official Opinion Number 87-22 issued November 18, 1987 of the Attorney General of the State of Indiana discussed the possibility of designating another trustee and provides: "It is, therefore, my Official Opinion that a township trustee may appoint or designate pursuant to Public Law 105-1986 (HEA 1374), a township trustee of another township to act for him while he is absent from the township or while he is incapacitated. However, if any compensation is paid to the designee for the performance of the duties of the appointing township trustee, there may be a violation of Article 2, § 9 of the Constitution of Indiana." Therefore, we are of the audit position townships should consider appointing someone who is a resident of the township not currently holding another lucrative office. Examples might be the previous township trustee, previous board members, or a current clerk in the office. Finally, we are of the audit position that we are not aware of any provision for payment of compensation to an individual designated in accordance with IC 36-6-4-18.

RECEIVING TOWNSHIP PROPERTY AND RECORDS FROM PREDECESSOR

IC 36-6-4-14, concerning trustees who do not succeed themselves in office, states in part "When his term of office expires, the executive shall:

- (1) immediately deliver to the new executive custody of all funds and property of the township, except records necessary in the preparation of his annual report;
- (2) deliver to the new executive, not later than the second Monday in the next January, his annual report and any records he has retained; and
- (3) attend the annual meeting of the township legislative body held under IC 36-6-6-9, and submit to inquiries from the legislative body concerning the operation of the executive's office during the preceding calendar year."

Therefore, the State Board of Accounts is of the audit position the trustee in office on December 31, 2006 is required to turn over to the new trustee all books, Township Bulletins, Township Manual, and records of the township.

The bank accounts should be in the name of the township, for example, "Clay Township, St. Joseph County", not in the name of the trustee. Therefore, if the account is properly in the name of the township, the change can be made at the bank by simply registering the authorized signature of the incoming trustee.

Township business is a continuing one; a change of office need not interrupt that business.

We suggest the outgoing trustee prepare in duplicate an itemized inventory of equipment and other assets owned by the township on December 31, to be signed by the successor and outgoing trustee. One copy is for the outgoing trustee and one copy is to be kept by the incoming trustee as a township record.

Sometimes difficulty exists for a person in office to convey to their successor all of the knowledge gained during a term or terms of office. However, you may be able to give valuable assistance and you are urged to provide information to your successor.

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EXAMINATION OF TRUSTEE'S OFFICE

Several trustees have requested an audit of their office at the close of office on December 31, 2006. An audit is not necessarily required for the township trustee going out of office on December 31, 2006. Properly maintained and retained records in accordance with the Public Records Law should provide a clear audit trail. Contact our Office at (317) 232-2520 if problems exist with records prior to the regular audit and we will try to assist in resolving the situation.

TOWNSHIP BOARD OF FINANCE AND DEPOSITORIES

The township board of finance is composed of the township board. [IC 5-13-7-5]

IC 5-13-7-6 requires that the members of board of finance shall, annually, after the first Monday and on or before the last day of January, meet and elect a president and secretary from their membership.

Please see Chapter 18 of the Accounting and Uniform Compliance Guidelines Manual for Townships for more information on Depositories and Deposits of public funds.

SINGLE AUDIT ACT, A-133

The Single Audit Act provides that audits which include federal funds under certain requirements be performed under the guidelines provided by the Office of Management and Budget (OMB) Circular A-133. Grants currently being issued are included. Requirements exist for the recipients of federal awards. Each recipient of federal awards will be required to identify all federal awards received and expended and the federal programs under which they are received. The federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, the name of the federal agency, and name of the pass-through agency. These requirements are in part designed to make each recipient of federal awards more aware of the federal programs received and disbursed.

Situations have occurred in some audits where auditors have been known to spend significant amounts of audit time sorting through accounting records and federal files in order to obtain the required information concerning federal awards. The new requirements place the responsibility upon the recipient to provide that information upon request. The requirements also apply to pass-through recipients of federal awards. Therefore, townships that receive federal awards passed through state agencies or other pass-through entities will also be required to provide appropriate CFDA titles and numbers, award numbers, and name of the federal agency providing the award. Townships which then in turn pass-through federal awards to subrecipients will also be required to provide the information to each subrecipient.

**BUILDING OR REMODELING AND FIRE EQUIPMENT FUND
(CUMULATIVE FIRE)**

IC 36-8-14 authorizes townships to provide a cumulative fire fund for the purchase, construction, renovation, or addition to buildings or purchase of land used by the fire department or the volunteer fire department serving the unit and for the purchase of firefighting equipment, for use of the fire department or the volunteer fire department serving the unit including making the required payments under a lease rental with option to purchase agreement made to acquire the equipment. The fund may also be used for the purchase, construction, renovation or addition to a building or the purchase of land or purchase of equipment for use of a provider of emergency medical services under IC 16-31-5 to the township establishing the fund.

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BUILDING OR REMODELING AND FIRE EQUIPMENT FUND
(CUMULATIVE FIRE)
(Continued)

IC 36-8-14 limits the tax levy to no more than three and thirty – three hundredths cents (\$0.0333) on each one hundred dollars (\$100) of assessed valuation in the taxing district. Any tax collected after establishing the tax levy shall be deposited in a special fund to be known as the "Building or remodeling and fire equipment fund." The fund may not be used for any purpose other than the purpose for which the money was raised. Expenditures may be made only after an appropriation has been made available.

Any questions regarding procedures to establish the fund should be directed to the Department of Local Government Finance, Indiana Government Center North, Room N1058, 100 N. Senate, Indianapolis, IN 46204.

FEDERAL TAX DEPOSITS - ELECTRONIC FUNDS TRANSFER

Please contact the Internal Revenue Service (IRS) at 1-800-829-1040 if you have questions concerning electronic funds transfer of federal tax deposits which originally became effective for some townships on January 1, 1997.

DATA PROCESSING SERVICES BY A BANK

The Indiana Attorney General, in Official Opinion No. 46 of 1966, included the following provisions and conclusions in response to an inquiry concerning a contract between a county hospital and the data processing center of a bank (other than its duly designated depository) for the preparation and use of the bank's official checks for payroll purposes:

1. Contracts entered into must be in writing. Further, it becomes difficult to conceive how the State Board of Accounts could properly consider and approve accounting systems and procedures established by an oral contract.
2. Accounting forms and procedures established in contracts entered into between banks and local officials must be approved by the State Board of Accounts.
3. Contracts of the nature pursuant to the Opinion need not be bid.
4. Officials and board members are required to be made parties to the contract.
5. The local officials and their sureties are liable for misfeasance by the bank or its employees in handling the accounts. The bank constitutes an agent for the official. The official cannot delegate responsibility when he delegates duties.
6. A bank or trust company is not required to be a depository selected under the Public Depository Act for the officers for whom it is acting.
7. In substance, the bank is acting as a local official in performing his duties. Its work belongs to the public. The checks issued by the bank, signed by it, and drawn on its funds belong to the public and the original must be turned over to the local official in his official capacity. (However, please see below.)

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DATA PROCESSING SERVICES BY A BANK
(Continued)

All canceled checks must be returned by the bank to the township. IC 5-15-6-3 states in part “. . . ‘original records’ includes the optical image of a check . . .” The State Board of Accounts is of the audit position both sides of a check are part of the original record. Therefore, both sides of an “optical imaged check” should be available for public inspection and audit. Encoding, printing or bank certification should exist to ascertain that the back side of a check is part of a particular check, ie, endorsements belong to the front side of a check presented.

The contract may provide that the township shall draw a check or checks to the contracting bank and the bank in turn will write checks on its own funds for and on behalf of the township. The funds to pay any checks outstanding and not cashed for a period of time may remain with the funds of the bank until such time as they are to be returned to the township.

Whenever accounting forms and procedures are in contracts for these services, a copy of the contract together with copies of forms and procedures to be used must be submitted to the State Board of Accounts for approval.

On a few occasions we have found that a township has entered into an agreement with data processing centers other than the data processing center of a bank. If such an agreement is for writing checks, such checks must be on township forms, for the signature of the township and drawn on the bank account of the township.

LOANS AND OTHER INDEBTEDNESS

We have been informed of situations of some townships borrowing money (bonds), the funds being retained at the bank and the bank making all disbursements based on requests from various sources (generally those associated with the debt issuance or a volunteer fire department.) The township has no documentation other than the bank statements which only show the transactions as debits.

The State Board of Accounts is of the audit position a governmental unit may not incur indebtedness unless specifically allowed by statute.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.